

# Transparency Report

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30 September 2011



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# Foreword from the Chief Executive Officer



This is an exciting time for our profession. The auditor's role is becoming more important than ever as markets and investors search for greater insight into the financial stability and performance of companies and the risks that they face in this difficult economic climate.

The debate over the future of audit continues as part of the wider agenda of delivering greater confidence in an increasingly global and complex financial system, and we have worked closely with a number of the professional bodies on research to understand the needs of investors, and work to influence the regulatory debate.

Investors and regulators are also seeking a larger pool of quality audit providers to increase choice at the upper end of the listed company audit market. We are active participants in that evolution, but believe strongly that the aim of any measures to reduce concentration must be to improve market confidence and stability, and enhance audit quality.

We also encourage more innovative ways of reporting to investors. Through our membership of the International Integrated Reporting Committee and our participation in HRH The Prince of Wales Accounting for Sustainability Project, we are taking a lead in the development of a new integrated reporting framework that will improve the quality of reporting. This will bring together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates.

We welcome an objective perspective on our own business. We have embraced the Audit Firm Governance Code and appointed three highly skilled and experienced independent non-executives to the UK firm's Partnership Oversight Board. Richard Eyre, Caroline Goodall and Ed Warner all bring a refreshing external perspective to board meetings, and are involved in a wide range of projects to

further develop the firm's governance processes as well as challenging our business planning and approach to the markets.

However, there is no doubt that it is in the collective ability, thinking, responsibility and drive of our people that our power as a firm is vested. As the technical demands on our professionals continue to become ever more complex, it is the business acumen and insight that our people develop that enables them to focus on what is really important for our clients.

This combination of business insight, technical expertise and commitment to excellence is at the heart of driving quality. We invest much time, resource and energy in supporting technical training and professional and personal development, and in engaging everyone in the firm in our shared values and vision.

The firm's values underpin everything we do and drive our decision making: collaboration, leadership, excellence, agility, respect and responsibility.

Our assurance practice is strong. We are in excellent shape to deliver services of the highest quality, develop our people in their technical and business understanding, and engage in the development of our profession to ensure the best quality service to business and investors.

A handwritten signature in black ink, appearing to read "Scott Brown". The signature is written in a cursive style with a long horizontal line extending from the end.

# 1. Legal structure and ownership

## Legal structure

Grant Thornton UK LLP is incorporated under the Limited Liability Partnerships Act 2000, and registered in England and Wales (registered number OC307742). In this report, Grant Thornton UK LLP is referred to variously as: the firm, the LLP, Grant Thornton, we, our and us.

## Ownership

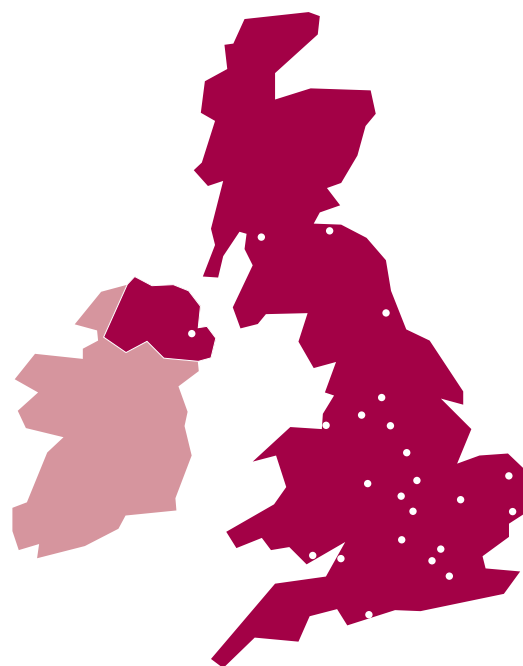
The firm is entirely owned by its members (normally referred to as partners). At 30 June 2011 there were 209 members (2010: 220 members). A list of the members is available for inspection at the LLP's registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

## Our business

Grant Thornton is a leading financial and business advisory firm. We are structured along geographical, sector and service lines enabling us to offer our clients a great depth of expertise delivered in a distinctive and personal way. Our principal services are audit, tax and advisory services (which include: business risk, corporate finance, forensic investigations, financial services advisory, and recovery and reorganisation). A full list of our services can be found at: [www.grant-thornton.co.uk/services.aspx](http://www.grant-thornton.co.uk/services.aspx).

At 30 June 2011, the firm employed 3,692 staff (2010: 3,725 staff), and currently operates from 24 locations throughout the United Kingdom. In addition, we have branch offices in the British Virgin Islands and the Cayman Islands.

A list of our UK office locations and addresses can be found at: <http://www.grant-thornton.co.uk/locations.aspx>.



Belfast	Liverpool
Birmingham	London
Bristol	Manchester
Cambridge	Milton Keynes
Cardiff	Newcastle
Edinburgh	Northampton
Gatwick	Norwich
Glasgow	Oxford
Ipswich	Reading
Kettering	Sheffield
Leeds	Slough
Leicester	Southampton

The principal subsidiary undertakings of Grant Thornton UK LLP are set out in Appendix 2.

## 2. Our international organisation

Grant Thornton UK LLP is the UK member firm within Grant Thornton International Limited (Grant Thornton International).

Grant Thornton International is a private company limited by guarantee, incorporated in England and Wales. It is an umbrella organisation that does not provide services to clients. Services are delivered independently by Grant Thornton member firms.

Grant Thornton member firms are independently owned professional services firms. Each member firm is a separate legal entity and is not a member of one international partnership. Member firms are not responsible for the services or activities of one another or for Grant Thornton International. Each firm is locally governed and managed. Member firms carry the Grant Thornton name, either exclusively or as part of their national practice name.

At 30 September 2010, there were 96 Grant Thornton member firms (2009: 95) with aggregate revenues of \$3.7 billion (2009: \$3.6 billion), 2,594 partners in those individual member firms (2009: 2,564 partners) and 29,974 personnel (2009: 30,369 personnel) worldwide.

### Criteria for membership

Member firms are required to comply with the criteria set by the Grant Thornton International Board of Governors, which include:

- adherence to the highest quality professional standards
- adoption of, and compliance with, Grant Thornton International policies, procedures and methodologies, including service line methodologies and quality controls, engagement protocols, and ethical and independence policies
- commitment to maintaining a system of quality control in accordance with International Standard on Quality Control (ISQC) 1 and agreement to periodic quality assurance inspections by global teams.

### Funding of Grant Thornton International

Grant Thornton International is funded by annual contributions from the member firms. The approved budget determines the aggregate annual contribution which is allocated to member firms in proportion to the member firm's turnover for the 12 months ended 30 September. The Board of Governors agrees the final budget and the level of member firm contributions required to meet the budget.

### Governance and leadership

The key governance and leadership bodies of Grant Thornton International are the Board of Governors and the Global Leadership team. A summary of their roles and responsibilities is set out below.

#### Board of Governors

The Board of Governors (the board) is the principal and overriding authority in Grant Thornton International. It is a group selected from member firms worldwide and exercises governance on their behalf. The board meets at least twice a year in person and its responsibilities include:

- approving the global strategic direction and policies of Grant Thornton International as established by the CEO
- appointing and setting the rights of the chair of the board
- appointing, evaluating performance and setting the remuneration of the CEO
- suspending the rights of, or expelling, a member firm.

The board delegates responsibility for various matters to a number of committees as follows:

- CEO Remuneration and Performance Committee
- Audit Committee
- Budget Committee
- Member Firm Matters Committee
- Governance Review Committee.

### The Board of Governors as at 6 June 2011

<b>Peter Bodin</b>	Chair of the Board, Sweden
<b>Ed Nusbaum</b>	CEO, Grant Thornton International
<b>Robert Quant</b>	Australia
<b>Phil Noble</b>	Canada
<b>Jean Schnob</b>	Canada
<b>Daniel Kurkdjian</b>	France
<b>Klaus-Günter Klein</b>	Germany
<b>Paul Raleigh</b>	Ireland
<b>Satoru Endo</b>	Japan
<b>Hector Perez Aguilar</b>	Mexico
<b>Gerard Mulder</b>	The Netherlands
<b>Scott Barnes</b>	UK
<b>Terry Back</b>	UK
<b>Stephen Chipman</b>	US

### Chair of the board

The role of the chair of the board (the chair) is pivotal to creating the necessary conditions for a highly effective board focused on strategic global development. The chair ensures that the board functions as a coordinated group in support of the CEO on global strategy, including, but not restricted to, provision of distinctive client service by member firms.

The chair was appointed for an initial two-year period commencing 1 January 2010.

### Chief executive officer

The chief executive officer (CEO) is appointed by the board for an initial term of five years and is eligible for successive terms of three years each. The current CEO, Ed Nusbaum, took office on 1 January 2010, previously having been CEO of Grant Thornton LLP, the US member firm within Grant Thornton International, a position he had held since 2001.

The CEO is responsible for the leadership and management of Grant Thornton International, and specifically for the development of global strategic priorities for ratification by the board and for overseeing execution of these priorities. The CEO has responsibility for appointing the Global Leadership team, subject to the agreement of the board.

### Global Leadership team

The Global Leadership team assists the CEO in the development and execution of the global strategy. It is a full-time management group dedicated to leading the global organisation in the successful execution of the strategy, and includes the global leaders for the assurance, tax and advisory service lines. The team meets monthly either in person or by telephone.

More information can be found at [www.gti.org](http://www.gti.org).

“Across the globe, we have used Grant Thornton firms during several acquisitions and been impressed by the consistency of approach and the quality of staff that we deal with.”

**Mott MacDonald**

### 3. UK leadership and governance

The members’ rights and obligations, the firm’s governance framework and the key responsibilities for the management of our business are set out in the firm’s membership agreement.

The principal leadership and governance bodies are the National Leadership Board (NLB), which runs the firm as an executive function, and the Partnership Oversight Board (POB), which provides robust, independent oversight of the NLB on behalf of the members.

#### Management of our business

##### Chief executive officer

The chief executive officer (CEO) has full executive authority for the management of the business. He is nominated by the Partnership Oversight Board following a rigorous selection process, and his appointment is confirmed by an ‘all members’ vote.

The CEO is bound by the LLP’s Statement of Principles, which is the firm’s highest level statement of objectives, values and philosophy. This is developed by the POB and approved by the members at least every three years.

The current CEO, Scott Barnes, was elected in 2009, and his first term ends on 31 December 2013. He may then be re-appointed for one further four-year term.

##### National Leadership Board

The CEO is empowered to appoint the National Leadership Board (NLB) which is responsible for exercising strong and effective leadership of the business and to:

- ensure the firm operates within the LLP’s Statement of Principles
- protect the goodwill and reputation of the firm
- develop and implement the firm’s strategy
- appoint, appraise and (where necessary) remove partners, and determine their remuneration
- ensure the firm complies with all relevant regulatory and legal requirements
- drive the profitable and sustainable management of the firm.

The NLB communicates regularly, and in a variety of ways, with the partners and with all employees on a wide range of issues including strategy implementation, current developments and the firm’s values in action.

Communication methods include office visits, the CEO’s weekly blog, online staff engagement surveys, formal quarterly business updates across the firm, and a formal meeting of the partner group, usually on an annual basis. The last all partners’ meeting was held in December 2010.



The NLB consists of the following partners (pictured above), who were all in post throughout the year to 30 June 2011. From left to right: Simon Morris, Chief Operating Officer; Sacha Romanovitch, People and Culture; Scott Barnes, CEO; David Maxwell, Markets and Industries; Ian Smart, London Managing Partner; and John Mew, Practice Protection.

Brief biographies and the meeting attendance record for NLB members are set out in Appendices 3 and 4.

### Partnership Oversight Board

The Partnership Oversight Board (POB) is responsible for the protection of partners' interests and the oversight of management. Its principal duties are:

- development of the LLP's Statement of Principles
- appointment (and, if required, the removal) of the CEO, subject to the vote of members
- monitoring the CEO's stewardship of the business
- overseeing the principles and criteria for profit sharing.

It also has specific responsibility for the oversight of risk and quality policies and procedures, and for recognising that as a leading audit firm, we have a public interest role that extends beyond the short-term interests of the partners.

### Board members

The POB consists of nine members elected by the partners, three independent non-executive members, and three ex-officio non-voting members (being the CEO and two other members of the NLB).

Elected members are appointed for a period of three years, and may serve for two further consecutive terms if re-elected.

Brief biographies of POB members are set out in Appendix 3.

### Chairman of the POB

The chairman of the POB, currently Steve Maslin, is appointed by a majority vote of the elected members and is responsible for chairing POB meetings and for providing guidance to the CEO on actual and potential matters of concern to the partners.

### Independent non-executives

During the year we appointed three independent non-executives (INEs) as full voting members of the POB. They are responsible for contributing to the overall governance of the firm, and specifically:

- the firm's recognition of its public interest responsibilities and its attitude towards quality
- the firm's approach to risk management and governance
- issues raised under whistleblowing policies and procedures.

The independent non-executives are invited to attend all POB and partners' meetings, and to meet with the CEO and the chair of the POB periodically. In addition, one of the INEs sits on the Risk Assurance Committee and another on the Remuneration Committee.

The INEs will serve an initial first term of three years, and shall be eligible for reappointment without restriction, as determined by the elected members of the POB.

### Evaluation of POB members

POB meeting minutes are circulated to all members, and a meetings attendance register is maintained.

In addition, a formal review of the effectiveness of the POB and its chair is carried out on an annual basis, this year led by one of the INEs. The review consists of an online confidential questionnaire to all partners and a series of individual meetings with POB members.

The POB members, their appointment dates, and meeting attendance records during the year are set out in Appendix 4.

“It has been clear to us throughout the recruitment and induction process and our early time in post that Grant Thornton takes its responsibilities to its clients, their shareholders, its staff and the wider public seriously, and that it is keen at all times to ensure that its duties of care are exercised effectively.”

**Caroline Goodall on behalf of the independent non-executives**

### Impact of INEs on the firm's independence

The POB is a 'supervisory board' as envisaged by the Auditing Practices Board (APB) Ethical Standards for Auditors, and therefore non-executive members of the POB are not members of the firm's 'chain of command'. As a result, personal relationships and business or financial interests of the INEs do not bear directly on the firm's independence as auditors.

The firm is mindful of the impact of public perception, and therefore we voluntarily require the INEs to comply with the independence requirements of partners and specifically:

- on a quarterly basis the INEs confirm to the chair of the POB that they have no financial interest or directorships with any of the firm's audit clients listed in the firm's prohibited investment list
- on an annual basis to confirm in the firm's annual regulatory statements and declarations process that they understand and have complied with the firm's key ethical policies including independence, confidentiality, market abuse, gifts and hospitality, and whistleblowing.

In the event that there was a fundamental disagreement between an INE and either the POB or the NLB that cannot be resolved following discussions with the chair of the POB and the CEO, and as a result the INE resigns from the firm, the fact that there had been such a disagreement would be disclosed in this transparency report. No such disagreement has occurred in the year covered by this transparency report.

### Subcommittees

The POB has two main subcommittees that deal with key aspects of governance: the Risk Assurance Committee and the Remuneration Committee.

### Risk Assurance Committee

The Risk Assurance Committee (RAC) is responsible for ensuring that the firm's quality and risk management framework is appropriate and operating effectively.

Its specific duties include:

- overseeing policies and procedures on quality and risk management (including ethics and independence)
- monitoring and reviewing the effectiveness of the firm's internal audit function and the timeliness and effectiveness of management's corrective actions
- monitoring the firm's relationship with its external auditors.

The RAC consists of four elected members of the POB (including the chair), the CEO and at least one INE. The head of business risk and quality assurance, the finance partner and the NLB member responsible for practice protection are invited to attend as appropriate. In addition, representatives of the firm's external auditors, PKF (UK) LLP, are also invited to attend.

The RAC met four times last year, and three of these meetings were attended by the external auditors.

### Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration framework of the CEO, dependent upon the achievement of predetermined criteria and objectives.

The Remuneration Committee, which consists of three elected POB members including the chair and at least one INE, met twice last year.

## 4. Quality and internal control

### Introduction

Our success is driven by a total commitment to excellence, delivering the highest quality of service to our clients.

The National Leadership Board (NLB) has ultimate responsibility for the delivery of quality services across the whole business, and for the development of appropriate internal control systems and the management of risk.

John Mew, as the NLB member responsible for practice protection, has specific responsibility for ensuring that our quality and risk management strategies, our culture and various supporting systems, drive and underpin our strategic development.

### Leadership responsibilities for quality

#### Practice Protection Group

John Mew chairs the Practice Protection Group, which consists of the heads of the business risk and quality assurance, legal, ethics and compliance functions. The group's role is to develop policies and, where necessary, appropriate procedures to ensure the firm complies with relevant regulatory, professional and legal requirements, and to create an environment where all our people understand those policies, and in doing so recognise their individual responsibility for quality.

#### Business Risk and Quality Assurance team

The Business Risk and Quality Assurance (BRQA) team is responsible for driving the annual risk review across all business areas, coordinating appropriate internal controls and delivering the firm's internal audit function.

The head of BRQA has direct access to the NLB through John Mew and regularly meets with him to consider the firm's risk and internal control environment.

#### Service line leaders

The leader of each service line (and business support function) has responsibility for quality and risk management matters within their service line, and specifically for developing policies and procedures which comply with the requirements of the Practice Protection Group.

### Individual responsibilities

The ultimate responsibility for delivering quality lies with each client engagement team, specifically the engagement lead partner. However, our culture promotes an environment where each person recognises their individual responsibility to understand the firm's key policies and procedures, and takes personal responsibility for delivering the highest standard of service to our clients.

### Quality and risk management framework

Our quality and risk framework is embedded throughout the firm. The framework brings a rigorous approach to all service offerings in areas such as client acceptance, quality control and competence. Its primary purpose is to underpin our commitment to quality, integrity and ethical behaviour across the firm.

### Risk management

All parts of the business are required, at least annually, to identify and assess the risks they face and to report to the NLB on those risks, the key controls in place to mitigate the risks, and action plans to remedy any weaknesses. On a quarterly basis, the NLB formally considers the firm's key risk profile and any new, emerging or changing risks which could have a material effect on the achievement of our business objectives.

A member of the NLB is identified to take ownership of each key risk, and works with a named individual responsible for the development of appropriate policies and procedures and associated key internal controls to manage those risks and monitor activities. These internal controls form a key part of the firm's quality management standards (QMS) which are mandatory across the business, and which form the basis of the firm's internal audit reviews.

### Internal audit

The ongoing monitoring of our quality control systems is an integral part of the firm’s quality and risk management framework.

The BRQA team carries out an internal audit of each area of the business over a three-year cycle, and reports to the NLB on the assurance gained that business areas are complying with the QMS and implementing key internal controls. This includes reporting performance against key performance indicators (KPIs), reflecting the firm’s internal controls such as: completed appraisals; personal development plans; mandatory training (eg information security, anti-money laundering); engagement take-on procedures; and customer satisfaction results.

### Quality management standards

The firm’s quality management standards (QMS) set out the minimum standards which must be met by each part of the business to drive quality, manage risks and meet legislative and regulatory requirements. They reflect the standards set by our regulators including the Institute of Chartered Accountants in England and Wales (ICAEW) and the Auditing Practices Board (APB), and comply with the International Standard on Quality Control (ISQC) 1.

The QMS apply to all areas of the business, not just where required by regulators, and cover the following areas:

- 1 leadership
- 2 risk management
- 3 client acceptance and continuance
- 4 engagement performance
- 5 assignment quality control
- 6 skills and competence
- 7 quality assurance.

The various components of our quality management standards are summarised below. Section 5: Delivering audit quality, describes more fully the relevant systems and controls in place to drive audit quality.

#### 1. Leadership

The leader of each service line has specific responsibility for promoting a culture where quality, risk and technical issues are central to service delivery. Each service line has dedicated quality and risk management professionals responsible for developing policies and procedures which comply with the requirements of the Practice Protection Group (specifically the firm’s QMS).

#### 2. Risk management

All parts of the business are required, at least annually, to identify and assess the risks faced and report to the NLB, through the Business Risk and Quality Assurance (BRQA) team, on those risks, the key controls in place and action plans to remedy any weaknesses.

#### 3. Client acceptance and continuance

We have rigorous client acceptance and continuance policies in place, and each service line has developed its own detailed procedures to drive the following:

- assessing the client’s integrity and associated risks
- identifying threats to the firm’s (and where applicable other Grant Thornton International member firms’) independence and identifying any conflicts of interest
- ensuring we have the right team, skills and resources for the job
- carrying out regulatory anti-money laundering verification checks
- ensuring that agreement to act would not contravene any legal, professional or ethical requirements.

All new assignments require approval by the appropriate managing partner, and in certain cases the head of service line or a member of the NLB, before the appointment is confirmed with a formal letter of engagement or contract.

#### 4. Engagement performance

Each service line is required to develop up-to-date policies, procedures and systems to drive high quality work and ensure work done complies with all relevant legal, regulatory and professional requirements and our own internal standards.

The procedures must cover planning, supervision and review, reporting, and quality control. These requirements not only ensure a consistent and rigorous approach to the quality of our work and our commitment to client service, but also promote a coaching and learning environment and a culture of continuous improvement.

#### 5. Assignment quality control

Each service line must have in place appropriate systems to satisfy themselves that assignment quality control systems have been applied consistently, and that the review and supervision of the assignment have been adequate and effective.

In most cases this will be the responsibility of the client engagement leader and manager, but where the nature of the client and/or the scope of the work is complex or considered to be high risk, then an experienced professional, independent of the assignment team, is required to carry out the review.

#### 6. Skills and competence

We recognise that our success depends upon developing a sustainable high performance culture, working together, drawing on each other's skills, knowledge and expertise to deliver high quality services to our clients. Our human resources management systems cover all aspects of the employee life cycle including attracting and recruiting, induction, appraisal and coaching, development, and reward.

The firm's QMS include the following people management controls:

- job descriptions for each role
- induction programme on job-related issues as well as culture and values
- mandatory training on joining on ethical and legal topics including anti-money laundering, bribery, confidentiality and information security
- formal annual appraisals for all partners and staff
- annual objective setting and personal development plans
- compliance with regulatory and continuing professional development requirements
- licensing/badging for specialist areas (eg listed company work, corporate finance).

#### 7. Quality assurance

In addition to assignment-based quality control reviews (set out above), each part of the business is required to carry out annual quality assessments in order to gain assurance that the firm's and the business areas' quality control systems have been operating consistently throughout the period. These reviews will normally be carried out by the service line quality and risk professionals, supported where appropriate by senior skilled personnel.

The outputs of these reviews are communicated to the specific assignment team, and recurring themes including examples of best practice and any failures in internal controls identified are communicated across the service lines. In addition, the BRQA team checks the output of the reviews and the actions taken.

Further details of our approach to skills and competencies in the context of audit quality are set out in section 5: Delivering audit quality, and our commitment to ethical behaviours and independence is set out in section 6: Ethics and independence.

“Grant Thornton always seemed to do the right thing and performed well in areas where judgements were difficult and technically complex.”

Candover Investments Plc

## 5. Delivering audit quality

The National Leadership Board (NLB) has appointed Phil Crooks as the head of assurance to be responsible for audit quality, and specifically the development of the firm’s assurance strategy. He is supported in this by the Strategic Management Group and the National Assurance Services team, and by the resources available from Grant Thornton International to member firms.



### Message from Head of Assurance

The spotlight is on the relevance, effectiveness, scope and value of the audit. As a result we embrace this and every other opportunity to communicate to our stakeholders the breadth and depth of our firm’s commitment to delivering the highest quality audit.

However, enhancing audit quality depends not only on our commitment, but active engagement of regulators, standard setters and investors. Input from investors is vitally important in judging the scope and economic value of assurance and audit.

We are proud to be awarded Auditor of the Year at the ICAEW/Real Business Finance Directors’ Excellence Awards for the second year running. Whilst we continue to set the standard when it comes to excellent client service, we are not complacent. We recognise that delivering a high level of audit quality is a critical element of our success. We have state-of-the-art audit software and audit tools, but our focus is on continuous improvement and our audits are under constant review.

In particular we are responding to the findings of our recent regulatory reports and the recommendations are incorporated into our plan for continuous improvement and our audits are under constant review.

We have audit quality measures in place for partners and staff to ensure our overall audit quality objective is translated into real, measurable actions.

### Strategic Management Group

The Strategic Management Group (SMG) supports the head of assurance with strategy development and implementation. It consists of senior members of the firm’s technical support teams and four regional client service partners.

The SMG’s specific responsibilities include maintaining operational efficiency and effectiveness; driving forward the required procedural and behavioural changes; and overseeing quality control mechanisms and performance monitoring.

### National Assurance Services

The National Assurance Services (NAS) team supports the head of assurance and the SMG in the development and implementation of the assurance strategy. This includes refinement of audit software and manuals provided by Grant Thornton International; training and technical guidance; advice on complex issues; carrying out reviews of public interest financial statements prior to approval; and ongoing monitoring of compliance with key quality and risk management controls.

The NAS team also responds to the latest technical developments and issues in the profession by providing commentary from the firm’s viewpoint. It also develops ‘thought leadership’ material for emerging themes about topics such as auditing, financial reporting and ethics.

### Grant Thornton International

Grant Thornton International assists all member firms in delivering consistent, robust, rigorous and high quality audits. This is achieved through the provision of a global audit methodology and software; protocols to facilitate consultation with audit specialists in other member firms; a comprehensive intranet service with up-to-date information on relevant professional standards; a worldwide restricted-entity list; an International Financial Reporting Standards help desk; and topical alerts.

### Engagement acceptance and continuance

In addition to the firm's rigorous client engagement acceptance procedures summarised in section 4: Quality and internal control, there is a requirement for each audit engagement to be categorised by reference to its risk, complexity and any specialised experience requirements. This categorisation is used to drive additional quality control procedures and, where necessary, involvement of the firm's sector specialists.

The initial acceptance of audit engagements must be approved by a partner from outside the proposed audit team. High-profile engagements must also be pre-approved by the head of assurance, and in certain (exceptional) circumstances, consultation with Grant Thornton International is also required.

A similar process for continuance of engagements is required on an annual basis. If there are any significant changes in circumstances or other risk indicators are present, approval by a partner outside of the audit team, the head of assurance and/or Grant Thornton International may again be required.

### Engagement performance

#### Partner and staff expertise

We ensure we have the highest levels of expertise within each audit team. Substantial partner, director and manager involvement is required throughout the audit process. This includes giving honest feedback; coaching and mentoring; encouraging consultation; and providing on-the-job training.

Technical excellence, audit quality and ethical behaviours are reinforced to everyone involved in audit during their induction and throughout subsequent learning programmes. The application of technical expertise is a key competency assessed within the mandatory annual performance appraisal process.

In addition, partners and staff involved in the audit of certain specialist clients can only do so following suitable accreditation (eg following attendance at mandatory learning programmes).

### Supporting robust audit delivery

Our global audit methodology, which is used by all member firms within Grant Thornton International, provides audit teams with a clear and direct link between identified financial reporting risks, internal controls that address the risk, and audit procedures. This approach enables audit teams to judge how the current environment impacts upon an entity's financial reporting, how the entity responded, and how to develop an appropriate audit response. The methodology includes integrated quality control processes including, for example, policies and procedures on an engagement quality control review.

The methodology is applied using the state-of-the-art Voyager™ software, manuals and policies. These are benchmarked against the International Standards on Auditing, International Standard on Quality Control, and the Code of Ethics for Professional Accountants (the IESBA Code).

### Supervision, consultation and review

We have a strong culture of consultation, supervision and support, which is embedded throughout the audit methodology. Involvement of a second partner, our NAS team, and where necessary the head of assurance, provide appropriate levels of quality control as well as support for all audit partners and staff.

Audit clients whose securities are publicly traded are subject to an engagement quality control review (as required by ISQC 1) by partners who are led and approved by the head of assurance. Review partners are also in place for other complex or high-risk category clients to address certain quality and risk management matters.

### Reporting

The key deliverables of our audit are the formal audit report and the Key Issues Memorandum (KIM).

Our audit reports comply with auditing standards and legislation, and are only signed by the engagement leaders after appropriate review of all work done and compliance with the firm's mandatory consultation and second partner review requirements.

The Key Issues Memorandum (KIM) provides clients' governance and management bodies with the main considerations, judgments and results of our audit. The content and format is tailored to a particular client's needs but will include the scope and approach of our audit, an explanation of any ethical or independence matters (together with any safeguards in place), the principal audit judgements and an outline of any control weaknesses identified.

### Monitoring activities

The NAS team drives the annual national audit reviews to assess the quality of completed audit work and its compliance with the firm’s quality and risk management framework.

All new engagement leaders are reviewed within their first year of appointment, and thereafter at least every three years. Each office location is also reviewed on a three-yearly basis. The review teams are selected from outside the office under review, and the engagements selected are biased towards those considered to be more complex or of higher risk to the firm.

At the completion of an office review, the audit leader of the office is required to develop and implement a targeted action plan to address the findings of the review.

On an annual basis the findings are summarised centrally, and any themes or consistent failures of internal control are communicated to the assurance community through training events, conferences and other technical update channels.

### Reporting to the National Leadership Board

The head of assurance reports to the NLB on an annual basis the findings of the national audit review and the planned remedial actions. The results are also disclosed to the firm’s external regulatory bodies.

The findings for individual engagement leaders arising from both the firm’s reviews and external quality assurance reviews impact on their individual annual audit quality grading, which in turn influences their remuneration.

### External factors

The quality of a client’s corporate governance and the robustness of its financial reporting systems are critical to audit quality. Concerns about a client’s corporate governance procedures identified through our client acceptance procedures require careful consideration as to whether we should act for that client. During the audit, if we identify weaknesses in governance and internal control systems, we work with our clients to identify and recommend actions for improvement.

The changing audit regulatory environment also has a clear impact on audit quality. We actively engage with regulators, standard setters and investors, shaping and influencing the drive for better reporting and supporting regulatory change. Partners and staff participate in various boards, committees, working groups and forums across a diverse range of bodies and topics, and provide comments and feedback on the firm’s view on planned developments and issues.

### Continuing professional development

In addition to developing their broad business insight, all of our people are required to maintain their technical competence and comply with relevant regulatory and professional development requirements. This is reviewed by line managers as part of the annual appraisal process, in conjunction with an individual’s personal development plan.

Within the assurance service line, there are mandatory annual technical updates, as well as various courses on financial reporting, company law, ethics and auditing matters. In addition, individuals with clients in particular sectors must attend sector-specific training, for example on listed companies, financial services clients, pension schemes, charities and other not-for-profit entities, and government entities.

We continually review the skills and competence of all our people and ensure they meet the needs of their clients. We support people’s development not only through structured learning programmes, but also through a variety of tools including 360-degree feedback, mentoring, on-the-job coaching, and a wide range of secondment opportunities.

We aim to create an environment where our people are passionate about what they do, perform to their best ability, and have the opportunities and support to continually develop their knowledge and skills.

“... I know from personal experience that the training I receive makes a difference to my clients.”

Staff comment in 2011 Engagement Pulse Survey

## 6. Ethics and independence

The firm is subject to ethical and independence standards set by the Auditing Practices Board (APB), the Institute of Chartered Accountants in England and Wales (ICAEW), and the International Federation of Accountants (IFAC).

However, we recognise that our reputation is built on the individual and collective behaviours of our people.

We help our people to understand their ethical responsibilities by providing clear policies and procedures, efficient and intuitive systems, a strong culture of support and consultation, regular training and awareness programmes.

### Leadership

The firm's ethics partner, Peter Rowley, is responsible for providing guidance and support on the application of UK and international ethical standards. He is supported by the firm's ethics team which provides advice on ethical issues and concerns, and enables people to obtain advice on sensitive, high-risk or complex issues on a confidential basis.

### Policies and procedures

The firm's Core Manual summarises our key policies and procedures in a concise and easy to understand way. It provides guidance on the fundamental principles of the code of ethics of the Institute of Chartered Accountants in England and Wales, the firm's principal regulator, which require all our people to:

- behave at all times with integrity
- maintain objectivity
- work with due care and competence
- respect confidentiality
- behave professionally.

More detailed guidance and training is available on our professional ethics database, which is available to all partners and employees on the intranet.

### Code of Conduct

Our Code of Conduct provides a clear set of standards for our business, and creates an ethical and behavioural framework on how we apply our values to guide our people's response to the decisions they are required to make each day. It covers:

- **Working together:** We treat everybody with respect and dignity, building relationships based on confidence and trust. We nurture and value each other's contribution to the firm's success.
- **Working with clients and others:** Our success is driven from our total commitment to excellence, delivering the highest quality of service and care to our clients. We thrive on working together, drawing on each other's skills, knowledge and expertise, seeking innovative and exciting solutions to meet our clients' needs.
- **Protecting our business:** We each have responsibility to protect the firm's reputation, safeguard our valued human capital and keep safe the physical and electronic assets which we use every day.
- **Impacting society:** Our biggest impact on society comes from the services we offer and our contribution to the stability of financial markets. We recognise our activities impact beyond the firm and we aim to be a responsible corporate citizen.
- **Behaving with integrity:** Our reputation is built not only on the quality of our services but also on the individual and collective behaviours of our people. We expect our people to be honest, trustworthy and straightforward, doing not simply what is lawful but also what is right.

### Training and awareness

On joining the firm, all partners and employees are provided with the Code of Conduct and mandatory online training programmes on key policies such as anti-money laundering, confidentiality and information security, and bribery.

Thereafter, our ethical approach is embedded across all learning and communication programmes. In addition, on an annual basis everybody is required to confirm their understanding of, and compliance with, relevant ethical requirements and key policies as summarised in the Core Manual and the guiding principles set out in the Code of Conduct.

### Consultation

We have a strong culture of consultation and support. We provide an environment where consultation on ethical and technical issues is actively encouraged and seen as a strength not a weakness.

We also provide all our people, our clients and others with an externally hosted, confidential whistleblowing hotline to speak up in absolute confidence if they are aware of, or concerned about, fraud, theft, or other misconduct or inappropriate behaviours.

### Identifying conflicts of interest

Our mandatory client assignment and relationship checks ensure that each potential new assignment will not prejudice the firm's independence, and enable potential conflicts of interest to be identified at the earliest opportunity.

For audit and similar engagements where independence is a matter of public interest, our procedures are more stringent:

- **Before a new audit engagement is accepted**, searches and enquiries including, where relevant, an international relationship check, are carried out to identify any existing business, financial or personal relationships that might pose a threat to the independence of the audit.
- **At the beginning of an audit**, all members of the engagement team are required to confirm in the audit file that they are free of personal interests and relationships that might impact on their own independence or that of the firm.
- **After an audit opinion is issued**, and before the continuance of an audit appointment is accepted, the audit partner (and where appointed the review partner) considers whether any circumstances have arisen that question whether the firm should or can accept reappointment.

### Non-audit services to audit clients

Before offering a non-audit service to any audit client of the firm, the relevant audit partner's approval must be obtained. This approval is only given after careful consideration of any possible threats to the firm's independence and, if required, the adequacy of any plan to mitigate such threats.

### Contingent fees

Where a proposed non-audit service will include any element of contingent fee, the formal approval of the firm's ethics partner is required.

### International clients

If potential clients have international operations, an international 'relationship check' is performed to identify any relationships of other member firms within Grant Thornton International that may present a conflict of interest and/or a threat to independence. When the prospective client is already an audit client of a member firm within Grant Thornton International, consultation is required with the relevant audit partner to ensure that the proposed non-audit service is permitted and that any threats to independence created by the proposed non-audit service can be adequately safeguarded.

### Dealing with conflicts

If a potential conflict is identified, appropriate procedures are put in place to protect confidential information and to ensure potential conflicts are, and are seen to be, effectively managed. In exceptional circumstances the relevant head of service line and the firm's ethics partner must be consulted.

### Financial interests

Partners and audit directors, and members of their immediate family, are prohibited from having any direct or material indirect financial interest in an audit client or the parent company of any audit client of Grant Thornton UK LLP, or in any publicly traded audit client of a member firm within Grant Thornton International. Full details of the firm's audit clients with publicly-traded securities, and those of other member firms within Grant Thornton International, are maintained on the firm's intranet.

In addition, partners and staff may not have a financial interest in any client to which they provide a professional service.

Partners, directors and managers involved in client service are required to record their financial interests (and those of their immediate family members) in the firm's automated tracking system known as the Global Independence System (GIS). Financial interests of the firm and its affiliated entities are also recorded in the GIS, as these could have an impact on the independence of the firm or member firms within Grant Thornton International.

### Other ethical considerations

#### Rotation of senior audit team members

Partners and other senior team members responsible for audits of listed companies and certain other public interest clients are required to rotate off the engagement after specified periods of time, depending on their role. The circumstances requiring rotation are identified when personnel are first assigned to a client, and are recorded on the firm's central record of public interest clients.

#### Supplier relationships

Our independence requirements extend to our relationships with suppliers. Checks are carried out before we enter into a supplier contract, to check whether they are an audit client, and if they are, special consideration is given to whether a threat to independence might arise. Where applicable the firm's ethics partner must be consulted.

#### Hospitality and gifts

Prior approval by their office managing partner (OMP) is required where a partner or employee wishes to accept or give any gift or benefit in kind, including hospitality, in excess of the firm's guidance limit (currently £500), or which might, or might be seen to, prejudice our integrity and objectivity in relation to our clients.

OMPs maintain a register recording all requests for approval of gifts and/or benefits in kind received or given.

### Monitoring

We actively monitor our people's compliance with ethical and independence requirements in the following ways:

- a. on an annual basis all of our people are required to confirm in the firm's annual regulatory statements and declarations process that they understand and have complied with the firm's policies relating to independence, confidentiality, market abuse, gifts and hospitality, and whistleblowing
- b. quality control and quality assurance reviews of assignment files across all service lines check compliance with internal controls and specifically engagement acceptance procedures and independence policies
- c. on an annual basis, the Global Independence System accounts of 10% of partners and 5% of managers are reviewed against evidence to support their recorded financial interests
- d. the firm's internal audit function reviews compliance with key internal controls across every service line on a three-yearly basis and reports to the National Leadership Board and the Partnership Oversight Board through the Risk Assurance Committee
- e. we encourage our people to consult with others when faced with a difficult decision or to speak up on areas of concern. However, if for whatever reason they feel unable to do so, we have provided an externally hosted, confidential whistleblowing hotline. Reports of the hotline's activity are formally reviewed quarterly by the Risk Assurance Committee.

## 7. External quality assurance

In addition to the substantial internal monitoring and assurance reviews carried out across the firm, the firm's audit practice is also subject to review by a number of external bodies.

The head of assurance, the Strategic Management Group and the National Leadership Board formally consider any recommendations made as a result of internal reviews or reviews by a regulator, and action is taken to implement appropriate changes.

### **Audit Inspection Unit**

The Audit Inspection Unit (AIU) of the Financial Reporting Council (FRC) undertakes independent inspections of the quality of the firm's auditing function in relation to listed and other major public interest entities.

The AIU's report on the findings of its 2009/11 inspection of the firm was published on 26 July 2011 and is available on the FRC's website at the following address:

<http://www.frc.org.uk/pob/audit/firmreports.cfm>.

The AIU is also engaged by the Audit Commission to review audits performed by the firm of public sector bodies in local government and health sectors. The results of these reviews are reported privately to the Audit Commission. The latest annual report from the Audit Commission is available at the following address:

[http://www.audit-commission.gov.uk/SiteCollectionDocuments/AnnualReports/2011/20110408quality\\_review\\_program.pdf](http://www.audit-commission.gov.uk/SiteCollectionDocuments/AnnualReports/2011/20110408quality_review_program.pdf).

### **Quality Assurance Department**

The Quality Assurance Department (QAD) of the ICAEW is responsible for performing reviews of audits that fall outside the scope of work of the AIU. Findings are reported privately to the Audit Registration Committee of the ICAEW, which has powers to grant, suspend or withdraw a firm's 'licence' to perform audits.

The firm is subject to a full review every two years, and the last full review of audit work took place in July 2010.

### **Grant Thornton International**

The firm is also subject to the Grant Thornton International global audit review (GTAR). The most recent GTAR of the firm was carried out in October 2009, and the next review is due to begin on 3 October 2011.

### **Complaints and claims**

We have robust procedures in place for dealing with complaints. A register of audit-related complaints and possible claims is maintained by the firm's legal department, under the direction of the NLB member responsible for practice protection, which investigates all complaints and ensures all potential claims are handled appropriately.

### **Client feedback**

We recognise that a key aspect of delivering quality client services is effective monitoring and management of our client relationships.

We actively seek feedback from our clients in order to assess our performance and improve client service. We meet regularly with our top clients, and survey other clients via a third party supplier to fully understand how well we are meeting client expectations and, more importantly, how we can improve service performance.

## 8. Statement on the firm's internal quality control systems

The Audit Firm Governance Code requires the firm to review the effectiveness of its systems of internal control on at least an annual basis.

The National Leadership Board (NLB) has ultimate responsibility for the firm's quality management systems and the establishment of appropriate internal control systems across the firm.

During the year the NLB has carried out a review of the effectiveness of the internal quality control systems in line with the requirements of the 'Internal Control: Guidance for directors on the Combined Code' (the Turnbull Guidance), and has taken into account:

- the findings from regulatory inspections
- reports from the firm's external auditors
- reports from Grant Thornton International on the firm's quality control systems
- the findings of the firm's internal audit function on the operation of quality management systems and the management of risk across the firm.

The internal quality control systems are designed to manage space rather than eliminate the risk of failure to achieve business objectives, or in the case of financial controls, the risk of material misstatement of our financial statements. Accordingly they provide only reasonable and not absolute assurance against such failure or material misstatement.

The review by the NLB has not identified any failings or weaknesses that it has deemed to be significant, and therefore no further action is necessary.

On the basis of the review, the National Leadership Board is satisfied that the firm's internal quality control systems are operating effectively.

In addition, the NLB confirms that an internal review of our internal independence processes has been carried out in the year.

## 9. Financial information

The Statutory Auditors (Transparency) Instrument 2008 requires disclosure of financial information, including showing the importance of statutory audit work to the overall results of the firm.

The following information has been extracted from Grant Thornton's annual accounts and financial records for the years to 30 June 2011 and 2010. The financial information given for 2011 is based on unaudited figures.

### Turnover by service line:

	2011 £m	%	2010 £m	%
Assurance (including business risk services and financial services advisory)	122.3	32%	118.9	31%
Taxation and Financial Planning	91.7	24%	93.0	24%
Corporate Finance	35.2	9%	40.9	11%
Forensic and Investigation Services	17.7	5%	15.1	4%
Recovery and Reorganisation	97.1	26%	95.2	25%
Other	13.0	4%	16.6	5%
<b>Total</b>	<b>377.0</b>	<b>100%</b>	<b>379.7</b>	<b>100%</b>

### Relative importance of statutory audit work:

An analysis of turnover for the years ended 30 June 2011 and 2010 showing the relative importance of statutory audit work and the levels of non-audit services provided to audit and non-audit clients is as follows:

	2011 £m	%	2010 £m	%
Statutory audit	102.4	27%	103.6	27%
Non-audit work to audit clients	38.4	10%	41.4	11%
<b>Sub-total audit clients</b>	<b>140.8</b>	<b>37%</b>	<b>145.0</b>	<b>38%</b>
Non-audit work to non-audit clients	236.2	63%	234.7	62%
<b>Total</b>	<b>377.0</b>	<b>100%</b>	<b>379.7</b>	<b>100%</b>

### Voluntary Code of Practice on Disclosure of Audit Profitability

The Consultative Committee of Accountancy Bodies (CCAB) issued the Voluntary Code of Practice on Disclosure of Audit Profitability (the Voluntary Code) in March 2009. This sets out the recommended disclosures in respect of the profitability of statutory audits and directly related services (the reportable segment).

The turnover and operating profit of the firm's audit reportable segment calculated in accordance with the Voluntary Code are:

	2011 £m	2010 £m
<b>Turnover</b>	102.4	103.6
<b>Operating profit</b>	24.9	25.0

Audit services for this purpose includes any audit required by UK statute and required to be carried out in accordance with the International Standards on Auditing (UK and Ireland) along with other work that 'fits naturally' with the auditor's statutory responsibilities.

Operating profit has been calculated after charging direct costs (eg staff costs) on an actual basis and allocating other overheads (eg property costs, IT costs) pro rata based on headcount or fees/turnover attributable to the reportable segment.

Members' remuneration has not been charged in arriving at the operating profit, which is consistent with its treatment in our statutory financial statements.

## 10. Partner remuneration

In accordance with the membership agreement and subject to the approval of the Partnership Oversight Board (the POB), the CEO determines the amount of the firm's annual audited profits to be allocated and distributed to partners (the profit pool).

Profits are primarily distributed either as a fixed profit share or in accordance with members' profit sharing units, which are allocated depending on role, assessed ability and performance.

In addition, a significant percentage of the profit pool is allocated based on a balanced assessment of behavioural and financial metrics. This links performance to the firm's strategy and achievement of its long-term goals. Partners are assessed individually against criteria which include:

- **operations and results:** delivering technical excellence and strong financial results
- **markets:** enhancement of the firm's profile and reputation and demonstrable sector focus
- **people:** leadership in staff development
- **clients:** provision of exceptional client service and relationship management.

Behavioural patterns out of line with the firm's values and the expected standards of behaviour set out in the Code of Conduct result in reduction of profit shares.

The remuneration framework of the CEO is determined by the Remuneration Committee, which is a subcommittee of POB, which also approves the CEO's allocation of profit sharing units to other partners on the National Leadership Board (NLB).

The Remuneration Committee is also responsible for setting the basis and criteria against which the CEO is measured, including the setting of targets and assessment of actual achievements.

### Remuneration of audit teams

Specifically, audit partners are remunerated by reference to the complexity, risk and quality of the work for which they are responsible, and after having taken into account a number of other criteria including the results of the monitoring reviews of the National Assurance Services team, the Grant Thornton International Global Assurance team and the regulators.

Audit partners (and audit staff) are not remunerated by reference to non-audit services sold to their audit clients.

# Appendix 1: List of public interest entities

A list of our public interest entity audit clients in respect of which an audit report was signed by Grant Thornton UK LLP in the year ended 30 June 2011 is provided on our website at the following link: [http://www.grant-thornton.co.uk/pdf/Public interest entities.pdf](http://www.grant-thornton.co.uk/pdf/Public%20interest%20entities.pdf).

Under the provision of the Statutory Auditors (Transparency) Instrument 2008 issued by the Professional Oversight Board of the Financial Reporting Council, ‘public interest entity’ means an issuer whose transferable securities are admitted to trading on a regulated market and the audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006.

## **Other entities with transferable securities**

In addition, a list of our audit clients with transferable securities which were traded on AIM or PLUS-quoted, and in respect of which an audit report was signed by Grant Thornton UK LLP in the year ended 30 June 2011, can be found at: [http://www.grant-thornton.co.uk/pdf/Other entities with transferable securities.pdf](http://www.grant-thornton.co.uk/pdf/Other%20entities%20with%20transferable%20securities.pdf).

# Appendix 2: Principal subsidiary undertakings

## List of principal subsidiary undertakings of Grant Thornton UK LLP

Subsidiary undertakings	
Companies	Principal activity
Grant Thornton Business Services	Employment of staff
Grant Thornton Specialist Services (Cayman) Limited	Insolvency and restructuring services
Grant Thornton (British Virgin Islands) Limited	Insolvency and restructuring services
Legalinc Limited	Computing consultancy services
Grant Thornton Acquisitions Limited	Holding investment company
Fulwood Insurances Limited	Captive insurance services
Selden Insurance Company Limited	Captive insurance services
Grant Thornton Trust Company Limited	Corporate trust services
Limited Liability Partnerships	Principal activity
Grant Thornton Services LLP	Employment of staff
Grant Thornton Employee Benefits Consulting LLP	Employee benefits consultancy services

# Appendix 3: Leadership and governance group

## National Leadership Board (NLB)



### **Scott Barnes, Chief Executive Officer**

Scott has been Grant Thornton's Chief Executive Officer since January 2009. He joined the firm's Leeds office in 1984 after qualifying with another firm. A partner since 1987, he has undertaken several different management roles: heading up recovery and reorganisation (R&R); leading the firm's special financial services function; and becoming global head of specialist advisory services at Grant Thornton International.



### **David Maxwell, Partner, responsible for markets and industries**

David has over 30 years' experience providing audit and corporate finance services in the UK and overseas. In addition to his responsibility for market and industries, he is also chairman of our London operations and part of the firm's international public affairs and regulatory team. David is currently the chairman of the Transnational Audit Committee of the Forum of Firms and IFAC.



### **John Mew, Partner, responsible for practice protection**

John trained within the firm in audit and has subsequently specialised in audit and transaction support. He leads the firm's quality and risk management strategies and is responsible for ensuring the firm adheres to all professional and regulatory requirements.



### **Simon Morris, Chief Operating Officer**

Simon has more than 30 years' experience within the firm and moved into his current role as chief operating officer in early 2008. Prior to joining the NLB Simon specialised in investigations, corporate finance and recovery and reorganisation. In 2001 he was appointed managing partner of the National Recovery and Reorganisation practice.



### **Sacha Romanovitch, Partner, responsible for people and culture**

Sacha leads the people and culture department and has been a member of the National Leadership Board since April 2008. She joined the firm in 1994 shortly after qualifying and became a partner in 2001. In 2002 she took up leadership of the London audit and tax practice, which more than doubled in size and profitability during her tenure.



### **Ian Smart, London Office Managing Partner**

Ian joined Grant Thornton in 1983 and since then has held a variety of roles including leading the firm's corporate finance function. He has particularly specialised in transaction advisory services with buy-outs, acquisitions, disposals and financial reconstructions in both public and private company situations.

**Partnership Oversight Board (POB)**



**Steve Maslin, Partner, Chairman POB**

Steve is an assurance and transaction services partner. He is currently head of External Professional Affairs in the UK, having been the head of Assurance Services for seven years until June 2006. He chaired the Policy and Regulatory Group (PRG) up until June 2001, which acts as the interface between the six largest UK audit firms and government, regulators and other stakeholders on public interest matters that affect the profession.



**David Barnes, Partner, Head of Education and Skills**

David has extensive experience providing audit and corporate finance services across a wide range of clients including listed companies, financial services institutions, pension schemes and charities. He is currently the head of our Education Group and is also the nominated partner responsible for our National Audit Office work.



**John Bowler, Audit Partner**

John has over 30 years' experience of advising public and large private companies from an audit and transactions background. He is chairman of the firm's Partner and Director Selection Panel.



**Geraint Davies, Audit Partner**

Geraint has been an audit partner for more than 20 years, working with a complete range of clients from large listed to owner-managed businesses. In addition he works across the public sector providing investigation and consultancy services to a range of public bodies. Geraint chairs two charities: Music Theatre Wales and Arts Active Trust.



**Paul Flatley, Partner, Head of Financial Services Assurance**

Paul is a specialist audit partner with over 20 years' experience working with entrepreneurial mid-corporate businesses and a wide range of financial services business, including clients listed on AIM and on the London Stock Exchange. He is currently the firm's representative on the CBI Companies Committee.



**Clare Hartnell, Tax Partner, Head of Property and Construction**

Clare leads the tax services we provide to major property clients. In addition to her property client portfolio, she provides tax services to support our Government and Infrastructure team, delivering services ranging from efficient tax structuring, to reviewing models and advising on other tax related matters.



**Tim Lincoln, Audit Partner**

Tim has been an audit partner for 10 years and is based in our Belfast office. He has previously worked in our London, Paris and Leeds offices and is currently the chairman of the firm's Risk Assurance Committee.



**Mo Merali, Corporate Finance Partner, Head of Private Equity**

Mo has significant experience of leading mid-market private equity transactions, IPOs and complex cross-border transactions. Mo focuses on buy-side and fund-raising transactions for private equity houses, banks and corporates, and has advised in a wide range of sectors, including media, healthcare technology and financial services.



**Nick Wood, Recovery and Reorganisation Partner**

Nick has specialised in insolvency for over 20 years. He has experience in investigating fraud and tracing and recovering misappropriated assets from a number of jurisdictions. He acts for various government departments and financial institutions. He is chairman of the Investigation Committee at the Insolvency Practitioners Association.

**Independent non-executives (INEs)**



**Richard Eyre**

Richard has extensive experience in brand consulting as well as having been chief executive at Pearson Television, ITV and Capital Radio. He is currently chairman of the Eden Project, the Internet Advertising Bureau and mobile apps company, Rapid Mobile.



**Caroline Goodall**

Caroline is a corporate lawyer, who has held a number of senior executive and oversight positions at the international law firm Herbert Smith. She is a member of the CBI companies committee and a non-executive director and trustee of the Woodland Trust.



**Ed Warner**

Ed is an investment banker, who has a wealth of experience from his years as CEO at the IFX group and of Old Mutual Financial Services (UK). He is the chairman of UK Athletics and of derivatives exchange LMAX, and is a non-executive director at institutional stockbroker and investment bank Panmure Gordon and global shipping company Clarkson plc.

# Appendix 4: Meeting attendance

	Appointed	Meetings			
		National Leadership Board	Partnership Oversight Board	Risk Assurance Committee	Remuneration Committee
<b>Number of meetings in year</b>		12	6	4	2
<b>National Leadership Board (*1):</b>					
Scott Barnes (CEO)		12	6	3	2
Simon Morris		12	6	-	-
David Maxwell		11	-	-	-
John Mew		12	5	4	-
Sacha Romanovitch		12	-	-	-
Ian Smart		11	-	-	-
<b>Partnership Oversight Board</b>					
Steve Maslin (Chair)	1 July 2007		6	4	2
Terry Back (*2)	1 July 2002		5	3	2
David Barnes	1 October 2007		6	-	-
John Bowler	1 July 2002		6	-	2
Geraint Davies	1 July 2009		6	-	-
Paul Flatley	1 July 2009		6	4	-
Clare Hartnell	1 July 2007		4	-	-
Tim Lincoln	1 October 2006		5	4	-
Mo Merali	1 July 2009		5	-	-
Nick Wood	1 July 2009		6	-	-
<b>Independent non-executives(*3):</b>					
Richard Eyre	15 September 2010		5	-	-
Caroline Goodall	15 September 2010		5	2	-
Ed Warner	15 September 2010		5	-	1

(\*1) the National Leadership Board was formed on 1 January 2009 with some members having been on the previous management board

(\*2) retired 30 June 2011

(\*3) as the independent non-executives were appointed during the period, their potential maximum meetings attendance would have been five Partnership Oversight Board, two Risk Assurance Committee and two Remuneration Committee meetings respectively

# Appendix 5: Compliance map

These tables map the requirements of the Audit Firm Governance Code and the Audit Quality Framework to our Transparency Report.

## Audit Firm Governance Code

Ref	Narrative	Page
<b>A.1.2</b>	The firm should state in its transparency report how its governance structures and management team operate, their duties and the types of decisions they take.	<b>7-9</b>
<b>A.1.3</b>	The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management team, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	<b>7-9 25-27 28</b>
<b>C.2.1</b>	The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.	<b>9</b>
<b>D.1.3</b>	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	<b>17-18</b>
<b>D.2.2</b>	The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	<b>20</b>
<b>D.2.3</b>	In maintaining a sound system of internal control and risk management and in reviewing its effectiveness, the firm should use a recognised framework such as the Turnbull Guidance and disclose in its transparency report the framework it has used.	<b>20</b>

## Audit Quality Framework

Ref	Narrative	Page
<b>AQF1</b>	The culture within an audit firm	<b>10-12</b>
<b>AQF2</b>	The skills and personal qualities of audit partners and staff	<b>14</b>
<b>AQF3</b>	The effectiveness of the audit process	<b>13-15</b>
<b>AQF4</b>	The reliability and usefulness of audit reporting	<b>14</b>
<b>AQF5</b>	Factors outside the control of auditors affecting audit quality	<b>15</b>



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